

**REPORT OF THE AUDIT OF THE
FULTON COUNTY
SHERIFF**

**For The Year Ended
December 31, 2001**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
FULTON COUNTY SHERIFF

For The Year Ended
December 31, 2001

The Auditor of Public Accounts has completed the Fulton County Sheriff's audit for the year ended December 31, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$8 from the prior calendar year, resulting in excess fees of \$4 as of December 31, 2001. Revenues decreased by \$7,530 from the prior year and disbursements decreased by \$7,522.

Report Comment:

- Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were fully insured.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Harold Garrison, Fulton County Judge/Executive
Honorable Robert Hopper, Fulton County Sheriff
Members of the Fulton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Fulton County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.



To the People of Kentucky
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In accordance with Government Auditing Standards, we have also issued our report dated July 30, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Lacks Adequate Segregation Of Duties

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 30, 2002

FULTON COUNTY
ROBERT HOPPER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

Federal Grants		\$	5,652
State Grants			9,852
State Fees For Services:			
Finance and Administration Cabinet	\$	11,830	
Cabinet For Human Resources		<u>1,486</u>	13,316
Circuit Court Clerk:			
Sheriff Security Service	\$	8,479	
Fines and Fees Collected		<u>3,889</u>	12,368
Fiscal Court			38,489
County Clerk - Delinquent Taxes			621
Commission On Taxes Collected			88,395
Fees Collected For Services:			
Auto Inspections	\$	4,460	
Accident and Police Reports		55	
Serving Papers		<u>8,100</u>	12,615
Other:			
Carrying Concealed Deadly Weapon Permits	\$	2,490	
Mental Health Transfer		1,400	
Jury Meals		112	
Transporting Juveniles		339	
Executions		384	
Sheriff's Add-On Fees		8,918	
Sheriff's Advertising Fees		<u>1,355</u>	14,998
Interest Earned			1,489
Borrowed Money:			
State Advancement			<u>47,606</u>
Total Receipts		\$	245,401

FULTON COUNTY
 ROBERT HOPPER, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2001
 (Continued)

Disbursements

Operating Disbursements and Debt Service:

Personnel Services-

Deputies' Salaries	\$	67,832
Part-Time Salaries		7,600
Overtime		7,576

Employee Benefits-

Employer's Share Retirement-KLEFPF		631
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Contracted Services-

Computer Service		1,669
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Materials and Supplies-

Office Materials and Supplies		1,744
Law Enforcement Supplies		5,547
Uniforms		2,456

Auto Expense-

Mileage		29,780
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Other Charges-

Conventions and Travel		5,194
Carrying Concealed Deadly Weapon Permits		1,565
Dues		300
Postage		1,754
Phone		1,842
Court Facility Fee		1,250
Sheriff Sales		364
Bond		51
Jury Meals		303
Radio Maintenance		1,052
Refunds		230

Debt Service-

State Advancement		<u>47,606</u>
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Total Disbursements

\$ 186,346

Net Receipts

\$ 59,055

Less: Statutory Maximum

\$ 56,927

Sheriff's Training Incentive

2,124

59,051

Excess Fees Due County

\$ 4

Payments to County Treasurer - February 6, 2002

\$ 1

February 11, 2002

3

4

Balance Due at Completion of Audit

\$ 0

The accompanying notes are an integral part of the financial statement.

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months of the year and the 6.41 percent for the last six months of the year.

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the Sheriff's deposits were fully insured at a 100% level with a surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Drug Fund

In April 1990, the Fulton County Sheriff's office received funds from the sale of assets seized as a result of various drug arrests and created the Fulton County Drug Fund. This Fund is to be used for the prevention of drug abuse in Fulton County. As of January 1, 2001, the Drug Fund had a balance \$10,806. During the calendar year 2001, there were receipts of \$1,289 and disbursements of \$6,000, leaving a balance of \$6,095.

COMMENT AND RECOMMENDATION

FULTON COUNTY
ROBERT HOPPER, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2001

INTERNAL CONTROL - REPORTABLE CONDITIONS:

Lacks Adequate Segregation Of Duties

The Fulton County Sheriff's office has a lack of adequate segregation of duties in his office. This is an internal control weakness which compensating controls could offset. We recommend the following compensating controls be implemented:

- Cash recounted and deposited by the official
- Surprise cash counts by the official
- Reconciliation of other monthly reports to source documents and receipts and disbursement ledgers
- Employees required to take vacations during which time other employees perform their duties
- Official prepares bank reconciliation

County Sheriff's Response:

We are doing as many of the requirements as we can, but unable to do all.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

PRIOR YEAR:

- Lacks Adequate Segregation Of Duties

County Sheriff's Response:

We have already begun these compensating controls for 2002.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Fulton County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated July 30, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Fulton County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fulton County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 30, 2002

